Grand Rapids SmartZone Local Development Finance Authority (A Component Unit of the City of Grand Rapids, Michigan)

Financial Statements and Supplemental Information For the Year Ended June 30, 2008



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99 Monroe Avenue N.W., Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

Independent Auditors' Report

Members of the Grand Rapids SmartZone Local Development Finance Authority Grand Rapids, Michigan

We have audited the accompanying financial statements of the Grand Rapids SmartZone Local Development Finance Authority (the Authority), a component unit of the City of Grand Rapids, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Authority's 2007 financial statements and, in our report dated November 8, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Rapids SmartZone Local Development Finance Authority at June 30, 2008, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of projects is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Grand Rapids SmartZone Local Development Finance Authority. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, therefore, we express no opinion on it.

Grand Rapids, Michigan

BDO Serlyon, LLP

December 1, 2008

Management's Discussion and Analysis

This section of the Grand Rapids SmartZone Local Development Finance Authority (the Authority) financial report presents a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2008. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. This discussion and analysis is designed to focus on current activities, resulting changes and currently known facts.

Using the Financial Report

This financial report consists of two financial statements that focus on the financial condition of the unit of government and the results of its operations as a whole. One of the most important questions asked about governmental finances is whether the unit of government as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets and the Statement of Activities, which present financial information in a form similar to that of business entities.

The Statement of Net Assets includes all of the Authority's assets and liabilities. It is prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The Authority's net assets are one indicator of the Authority's financial health. Over time, increases or decreases in net assets indicate the improvement or erosion of the Authority's financial health.

Statement of Net Assets					
	Fiscal Year 2008	Fiscal Year 2007	% Change		
Assets Current assets	\$ 1,458,550	\$ 815,131	78.9		
Liabilities Current liabilities Noncurrent liabilities	\$ 148,779 3,899,729	\$ 88,880 3,888,697	67.4 0.3		
Total liabilities	4,048,508	3,977,577	1.8		
Net Assets (Deficit)	(2,589,958)	(3,162,446)	(18.1)		
Total Liabilities and Net Assets	\$ 1,458,550	\$ 815,131	78.9		

Current Assets

Equity in Pooled Cash and Investments

The City of Grand Rapids maintains an investment pool for most City funds and component units. The Authority's portion of the investment pool is displayed on the Statement of Net Assets as "equity in pooled cash and investments." Investments are certificates of deposit and money market investments (short-term highly liquid debt instruments that have a remaining maturity at time of purchase of one year or less), and are carried at fair value. The Authority's 81.2% increase in pooled cash and investments in fiscal year 2008 compared to fiscal year 2007 is due to a significant increase in the amount of captured property tax increment revenue caused by new construction in the downtown area of the Authority. Expenditures were less than budgeted because developer reimbursements were delayed pending project completion. Changes in demand for leased space also resulted in a renegotiation of the development agreement. In addition, construction of certain infrastructure improvement projects has occurred more slowly than anticipated.

Current Liabilities

Accounts Payable

Accounts payable in the amount of \$70,956 consists of payments due to Grand Valley State University in support of the West Michigan Science and Technology Initiative, payments due the State of Michigan for ongoing infrastructure projects, and an estimated settlement in ongoing property tax appeals.

Accrued Interest Payable

Accrued interest payable on the 2004 bonds was \$15,350 at June 30, 2008 for interest due in the next upcoming payment on the debt service schedule.

Current Portion of Long-Term Debt

Some of the Authority's Series 2004 Local Development Bonds (the Bonds) mature annually through 2028. The required payment for principal reduction in the next fiscal year is \$60,000.

Noncurrent Liabilities

Due to Primary Government

The Bonds were issued in anticipation of future capital improvements by one or more businesses within the Authority's Plymouth/Satellite District boundaries. Since the exact timing of these capital investments was uncertain at the time the Bonds were issued, an agreement between the Authority and the City of Grand Rapids Water Supply System (the System) requires the System to provide to the Authority any shortfall between the pledged Plymouth/Satellite tax increment revenues and the amount of debt service. (For a more detailed explanation regarding the debt issue, see the Bonds Payable section below.) In fiscal year 2007, the System transferred \$50,359 to the Authority. In fiscal year 2008, the System transferred \$69,241 to the Authority.

Premium on Bonds Payable

Due to market interest in the issue, certain of the Authority's May 2004 bonds were sold at a premium. The premium will be amortized over the life of the issue. The difference between fiscal year 2007 and fiscal year 2008 is the annual amortization.

Bonds Payable

The Authority issued Series 2004 Local Development Bonds in the amount of \$3,805,000 in May 2004. The majority of the net proceeds was transferred to the System to aid in the relocation of water facilities to allow for the proposed expansion of existing Siemens Dematic Corporation manufacturing and design facilities. Debt service payments are made from tax increment revenues pledged for the bonds and collected by the Authority from only the Plymouth/Satellite SmartZone District which includes the former water facility property and the former Siemens Dematic property (now Dematic Corp. - see Note 5) as well as properties owned by other businesses in the area.

When the pledged SmartZone Plymouth/Satellite tax increment revenues are insufficient to pay principal and interest on the bonds when due, the City has agreed to meet the shortfall using revenues of the System pursuant to its agreement with the Authority. Advances accrue interest at a rate of 5.5% per annum and will be repaid from future excess tax increment revenues collected by the Authority. (See Note 5 for additional information.) The \$3,745,000 balance at June 30, 2008 represents the principal outstanding for the Bonds.

Net Assets

Net assets represent the difference between Authority assets and liabilities. The Authority has a deficit of \$2,589,958 at June 30, 2008 compared to a deficit of \$3,162,446 at June 30, 2007.

The Authority's net assets are restricted by the requirements of Michigan Public Act 281 of 1986, as amended, which limits expenditures to those that further the Authority's development program.

Statement of Activities

	Fiscal Year 2008	Fiscal Year 2007	% Change
Revenues			
Property taxes	\$ 1,003,433	\$ 675,338	48.6
Investment earnings	77,702	52,458	48.1
Miscellaneous	-	20,000	(100.0)
Total revenues	1,081,135	747,796	44.6
Expenses			
Urban development	508,647	431,583	17.8
Change in net assets	572,488	316,213	81.0
Net Assets (Deficit), beginning of year	(3,162,446)	(3,478,659)	9.1
Net Assets (Deficit), end of year	\$ (2,589,958)	\$ (3,162,446)	18.1

Revenues

Property Taxes

The Authority's revenues are generated primarily through the use of tax increment financing in which the Authority captures ad valorem property tax and industrial facility tax revenues attributable to increases in the value of real and personal property within the district boundaries. Property tax revenues for the year ended June 30, 2008 include property taxes levied July 1, 2007 and December 1, 2007. The increase in property tax increment revenues between fiscal year 2007 and 2008 is due to increases in property values resulting from new investment within both of the SmartZone boundaries.

Investment Earnings

This is interest revenue earned when Authority funds are invested by the City Treasurer. The increase in revenues between fiscal year 2007 and fiscal year 2008 is related to a larger amount of tax increment revenue received and, therefore, a larger cash balance on which more interest was earned despite lower overall interest rates.

Expenses

Urban Development

During the two-year period of these statements, urban development expenditures include administrative costs, development project-related costs, and debt service payments. Fiscal year 2008 expenditures are higher than fiscal year 2007 expenditures because of increased support for the business accelerator project managed by Grand Valley State University and new expenses for marketing the West Michigan Science and Technology Initiative at a regional medical device manufacturing conference in Minneapolis, Minnesota.

Overall Financial Position

Management believes the Authority is in good condition financially. Current tax increment and other revenues are adequate to cover current administration and project commitments, ongoing debt service requirements and to make measured progress on eliminating the deficit.

Financial Statements

(A Component Unit of the City of Grand Rapids, Michigan)

Statement of Net Assets and Governmental Fund Balance Sheet

		2008		
			Statement	Statement of
	Governmental	Adjustments	of	Net Assets
June 30,	Fund	(Note 3)	Net Assets	2007
Assets				
Equity in pooled cash and investments	\$1,450,102	\$ -	\$ 1,450,102	\$ 800,389
Receivables	6,493	Ψ -	6,493	14,742
Due from primary government	-	1,955	1,955	-
Total Assets	\$1,456,595	1,955	1,458,550	815,131
Liabilities				
Current liabilities:				
Accounts payable	\$ 70,956	-	70,956	12,742
Accrued interest payable	-	15,350	15,350	15,499
Compensated absences (Note 4)	-	2,473	2,473	639
Bonds payable - due within one				
year (Note 4)	-	60,000	60,000	60,000
Noncurrent liabilities:				
Due to primary government	149,766	-	149,766	80,525
Compensated absences (Note 4)	-	1,718	1,718	545
Net OPEB obligation	-	3,600	3,600	-
Premium on bonds payable	-	59,645	59,645	62,627
Bonds payable - due in more than one year (Note 4)	-	3,685,000	3,685,000	3,745,000
Total liabilities	220,722	3,827,786	4,048,508	3,977,577
Fund Balance	4 227 252	(1.005.050)		
Reserved for authorized projects	1,235,873	(1,235,873)	-	
Total Liabilities and Fund Balance	\$1,456,595			
Net Assets (Deficit)		(2,591,913)	(2,589,958)	(3,162,446)
Total Net Assets (Deficit)		\$ (2,591,913)	\$ (2,589,958)	\$(3,162,446)

See accompanying notes to financial statements.

(A Component Unit of the City of Grand Rapids, Michigan)

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

			,	2008			
					Statement		Statement of
	Gov	ernmental	A	djustments	of		Activities
Year ended June 30,		Fund		(Note 3)	Activities		2007
_							
Revenues	Ф	1 002 422	Ф		Ф. 1.002.422	ф	675 220
Property taxes	\$	1,003,433	\$	-	\$ 1,003,433	\$	675,338
Investment earnings		77,702		-	77,702		52,458
Miscellaneous		_					20,000
Total revenues		1,081,135		-	1,081,135		747,796
Expenditures/Expenses							
Urban development		320,907		4,652	325,559		246,007
Principal repayment		60,000		(60,000)			· -
Interest and paying agent fees		186,219		(3,131)	183,088		185,576
Total avnonditumas/avnongas		567 106		(59.470)	509 647		121 502
Total expenditures/expenses		567,126		(58,479)	508,647		431,583
Excess of revenues							
over expenditures/expenses		514,009		58,479	572,488		316,213
Change in fund balance/net assets		514,009		58,479	572,488		316,213
Fund Balance/Net Assets (Deficit),							
beginning of year		721,864		(3,884,310)	(3,162,446)		(3,478,659)
						_	
Fund Balance/Net Assets (Deficit), end of year	\$	1,235,873	\$	(3,825,831)	\$ (2,589,958)	\$	(3,162,446)

See accompanying notes to financial statements.

Grand Rapids SmartZone Local Development Finance Authority (A Component Unit of the City of

Grand Rapids, Michigan)

Notes to Financial Statements

1. Reporting Entity

The Grand Rapids SmartZone Local Development Finance Authority (the Authority), a component unit of the City of Grand Rapids, Michigan (the City), was created by the City in 2002 under the provisions of Act 281, Public Acts of 1986 of the State of Michigan. The purpose of the Authority is to promote the development of high-tech business within the boundaries of the Downtown SmartZone and Plymouth/Satellite SmartZone areas in the City.

2. Summary of Significant Accounting Policies

Basis of Presentation

The statement of net assets/balance sheet and the statement of activities/revenues, expenditures and changes in fund balance report information on the activities of the Authority. The adjustments columns are used to reflect the conversion from the balance sheet to the statement of net assets and the conversion of revenues, expenditures and changes in fund balance to the statement of activities.

Measurement Focus and Basis of Accounting

The Authority uses the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. The Authority considers revenues available if earned and collected within 60 days after year-end; however, property tax increment revenues are recognized as revenue in the fiscal year for which they were levied. Expenditures are generally recognized when the related fund liability is incurred.

For presentation of the year-end audited financial data, the Authority uses the total economic resources measurement focus and the accrual basis of accounting to prepare the statement of net assets and the statement of activities. These statements are similar to statements used in the private sector by for-profit business enterprises and not-for-profit organizations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The column of adjustments shows the conversion between the two measurement foci.

(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

Prior Year Columns

The columns labeled Statement of Net Assets 2007 and Statement of Activities 2007 are presented for informational purposes only. These statements do not include the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance for 2007, which are necessary for a complete presentation in accordance with generally accepted accounting principles. Certain amounts from 2007 have been reclassified to conform to the 2008 presentation. The reclassifications had no effect on the total net assets.

Budget

The Grand Rapids City Commission annually approves the Authority's budget after the Authority Board Members have reviewed and recommended it for adoption. The budget for the Authority is a project budget rather than an annual budget. Therefore, budget to actual information has not been reflected in the financial statements.

Cash and Investments

The City maintains an investment pool for most City funds including component units like the Authority. The Authority's portion of the investment pool is displayed on the balance sheet as equity in pooled cash and investments. Investments consist primarily of certificates of deposits, with original maturities of greater than three months at the date of purchase, mutual funds and commercial paper. Investments are carried at fair value. State statutes require that certificates of deposit be maintained in financial institutions with offices in the State of Michigan. Interest income earned as a result of cash and investment pooling is distributed by the City Treasurer to the appropriate funds.

Investment policies and categorization of cash and investments are included in the Comprehensive Annual Financial Report of the City of Grand Rapids to give an indication of the level of risk assumed by the City at year-end. It is not feasible to allocate the level of risk to the various component units of the City.

Property Taxes

A significant portion of the Authority's revenues are generated through tax increment financing. Summer taxes are levied on July 1 and attach as an enforceable lien at that time. Summer taxes are due without penalty on or before July 31. Winter taxes are levied on December 1 and attach as an enforceable lien at that time. Winter taxes are due without penalty on or before February 14.

(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through legislation or other external restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported in the Statement of Net Assets and the Statement of Activities are different from amounts reported in the governmental fund because of the following:

Governmental fund total fund balance	\$ 1,235,873
Long-term assets that are not available to pay for current period expenditures are not reported in the governmental funds. Due from primary government	1,955
Long-term liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.	
Bonds payable	(3,745,000)
Premium on bonds payable	(59,645)
Accrued interest payable	(15,350)
Net OPEB obligation	(3,600)
Compensated absences	(4,191)
Government-Wide Net Assets	\$ (2,589,958)

(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

Net change in fund balance - governmental funds	\$ 514,009
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and contract principal and long-term payables is an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net assets.	
Repayment of principal	60,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable	149
Amortization of bond premium	2,982
Compensated absences	(3,007)
Unfunded OPEB obligation	(1,645)

4. Long-Term Obligations

Changes in long-term obligations were as follows:

	Beginning Balance	Additions	Re	ductions	Ending Balance	Due Within One Year
Bonds payable	\$ 3,805,000		\$		\$3,745,000	\$ 60,000
Compensated absences	1,184	3,007		-	4,191	2,473

In May 2004, the Authority issued \$3,805,000 of Local Development Bonds. Starting in 2008, the bonds mature annually through June 2, 2028 and bear interest at 3.375% - 5.375%.

(A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

The annual requirements to pay principal and interest are as follows:

Year ending June 30,	Principal		Interest
2009	\$ 60,000	\$	184,194
2010	60,000		182,169
2011	105,000		179,919
2012	200,000		175,719
2013	215,000		167,719
2014-2018	1,130,000		681,294
2019-2023	740,000		455,544
2024-2028	1,235,000		212,581
	\$ 3,745,000	\$ 2	2,239,139

5. Material Event

The Authority's Series 2004 Local Development Bonds (the Bonds) are secured by Plymouth/Satellite District tax increment revenues and were issued in anticipation of future capital improvements by businesses, primarily the Siemens Dematic Corporation, within the Authority's Plymouth/Satellite District boundaries. The Bonds were issued to finance, in part, the relocation of a City Water Supply System facility on Ball Avenue to allow for the proposed expansion of Siemens Dematic Corporation manufacturing and design facilities.

In August 2006, Siemens Dematic Corporation operations in the Plymouth/Satellite District were acquired by Triton, a European investment group, and the operation is now known as Dematic Corp. Capital improvements planned by the Siemens Dematic Corporation will not be implemented by Dematic Corp. which sold the Ball Avenue property since it is no longer needed for expansion.

Since the schedule for the planned Siemens Dematic capital investments was uncertain at the time the Bonds were issued, an agreement between the Authority and the City of Grand Rapids Water Supply System (the System) requires the System to provide to the Authority any shortfall between the pledged Plymouth/Satellite tax increment revenues and the amount of debt service. Specifically, the agreement states that to the extent there is any shortfall in any given year to pay debt service due in that year, the City will make

Grand Rapids SmartZone Local Development Finance Authority (A Component Unit of the City of Grand Rapids, Michigan)

Notes to Financial Statements

up the shortfall from revenues of the System. If annual tax increment revenues become sufficient to meet current debt service, any excess will be used to reimburse the System amounts it has advanced plus interest. Although the intent of the Authority is to repay the advances, if there should not be enough tax increment generated to repay the System, the System must absorb the funds advanced and not repaid. Finally, should the tax increment revenues primarily pledged be insufficient to pay principal of and interest on the Bonds when due and the System is unable to advance the funds needed to meet debt service for the Bonds, the City has also pledged its limited full faith and credit as additional security for the payment of the principal and interest on the Bonds.

Supplemental Information

(A Component Unit of the City of Grand Rapids, Michigan)

Schedule of Projects (Unaudited)

Downtown SmartZone Area

The initial SmartZone boundaries were established in the northern section of downtown Grand Rapids to facilitate development by leveraging the adjacency and synergy of the area's medical, research, educational, financial, governmental and non-profit institutions. The Authority works directly with five partners: the City of Grand Rapids, the Van Andel Institute (VAI), Grand Valley State University's Downtown Campus (GVSU), Grand Rapids Community College (GRCC) and The Right Place, Inc (RPI). The resources available through these clustered institutions and other downtown services are creating an environment for growing and attracting new and established high-tech businesses. The Authority accomplishes its goals by creating and using the following tools.

Incubators

A key component of the Downtown SmartZone is the operation of full service incubators, which provide space and support for start-up high-tech businesses. The Authority's first incubator is fully leased. In the summer of 2008 the Authority created a sub-committee to investigate adding additional incubator space. The group was successful in finding appropriate space to potentially lease and operate in cooperation with GVSU. As of the date of this report, negotiations are still underway.

Site Development

The Authority identifies, assembles and prepares sites for commercial and light industrial space for businesses graduating from the incubator, expanding into the SmartZone area or relocating from other areas to take advantage of the SmartZone's high-tech environment.

Infrastructure

Since much of the northern Downtown SmartZone Area is former or currently existing older industrial space, the area is in need of upgraded and improved infrastructure (streets, sidewalks, water, sewer, fiber optic conduits and public spaces) to make it attractive and useful for high-tech businesses. In recent years, a Core Community Initiative grant, Department of Natural Resources grant and support from City of Grand Rapids Water and Sewer Funds as well as the Grand Rapids Monroe North Tax

(A Component Unit of the City of Grand Rapids, Michigan)

Schedule of Projects (Unaudited)

Increment Finance Authority (MNTIFA) have been used to cooperatively make utility and road improvements and build a riverside public recreation area.

More recently, the Authority, the Grand Rapids Community Foundation and the MNTIFA jointly funded the Monroe North Area Specific Plan (the Plan) which provides recommendations for land use, circulation, parking and development character that build and expand on the objectives and policies of the City of Grand Rapids Master Plan. The recommendations were developed with the participation of a 10-member Steering Committee and are presented in three distinct sections: Development Framework, Infrastructure Improvement and Streetscape Concept.

After considering the recommendations of the study committee and public input at stakeholder meetings, both the MNTIFA and the Authority have updated their development plans with the approval of the Grand Rapids City Commission and the other local taxing units. These plans include a commitment to fund a number of infrastructure projects that range from one-time expenditures of Authority resources to multi-year commitments to fund a portion of debt-service on improvements. New infrastructure project spending in the amount of \$292,000 has been committed by the Authority for fiscal year 2009.

Marketing

A communications effort, both local and international, has been launched to showcase the benefits of the Downtown SmartZone as a location for high-tech businesses and to advertise incubator space and services. These materials highlight the quality of life in Grand Rapids and the world-class nature of the incubators. For the first time, in fiscal year 2008 the Authority provided partial support to West Michigan Science and Technology Initiative (WMSTI) staff to exhibit and attend the Medical Device Manufacturing Conference in Minneapolis, Minnesota.

Technology Transfer

Through WMSTI, the five partners coordinate their resources to encourage and support the successful transfer of technology theory generated by GVSU, GRCC and the VAI staff and students into practical product development.

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Schedule of Projects (Unaudited)

Education

GVSU and GRCC identify training programs needed by local high-tech industries in order to prepare students for the future employment needs of new high-tech businesses. Students at both GVSU and GRCC also offer valuable, trained research assistance to new and established high-tech businesses.

Plymouth/Satellite SmartZone Area

On November 19, 2002, the Grand Rapids City Commission approved the Authority's request for the establishment of a Plymouth/Satellite SmartZone. Due to delays resulting from State staff turnover, not until early in 2004 did the State Treasurer and the Michigan Economic Development Corporation approve the Authority's request to create a satellite SmartZone in the area north of Michigan Street and east of Ball Avenue and including parcels along Plymouth Avenue and Oak Industrial Drive.

Tax increment revenue captured in this Plymouth/Satellite SmartZone area support the Authority's \$3,805,000 Series 2004 bonds issued to partially offset the cost of relocating the City of Grand Rapids Water Supply System (the System) administrative and service operations on Ball Avenue into a newly constructed building on Oak Industrial Drive. The System agreed to relocate its operations to allow Siemens Dematic Corporation to expand its existing manufacturing and design facilities. However, in August 2006, Siemens Dematic Corporation operations in the Plymouth/Satellite SmartZone area were acquired by Triton, a European investment group, and the operation is now known as Dematic Corp. Capital improvements planned by the Siemens Dematic Corporation will not be implemented by the Dematic Corp. which sold the Ball Avenue property since it is no longer needed for expansion.

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Schedule of Net Assets by District (Unaudited)

June 30, 2008	Downtown District	Plymouth/ Satellite District	Total SmartZone LDFA
Assets			
Equity in pooled cash and investments	\$ 1,443,521	\$ 6,581	\$ 1,450,102
Receivables	6,493	-	6,493
Due from primary government	1,955	-	1,955
Total assets	1,451,969	6,581	1,458,550
Liabilities			
Current liabilities:			
Accounts payable	70,956	-	70,956
Accrued interest payable	-	15,350	15,350
Compensated absences	2,473	-	2,473
Bonds payable - due within one year	-	60,000	60,000
Noncurrent liabilities:			
Due to primary government	-	149,766	149,766
Compensated absences	1,718	-	1,718
Net OPEB obligation	3,600	-	3,600
Premium on bonds payable	-	59,645	59,645
Bonds payable - due in more than one year	-	3,685,000	3,685,000
Total liabilities	78,747	3,969,761	4,048,508
Net Assets (Deficit)			
Restricted for authorized projects	1,373,222	(3,963,180)	(2,589,958)
Total Net Assets (Deficit)	\$ 1,373,222	\$ (3,963,180)	\$(2,589,958)

(A Component Unit of the City of Grand Rapids, Michigan)

Schedule of Activities by District (Unaudited)

Year ended June 30, 2008	Downtown District	Plymouth/ Satellite District	Total SmartZone LDFA
Revenues			
Property taxes Investment earnings	\$ 826,879 71,428	\$ 176,554 6,274	\$ 1,003,433 77,702
Total revenues	898,307	182,828	1,081,135
Expenditures/Expenses			
Urban development	325,559	-	325,559
Interest and paying agent fees	<u> </u>	183,088	183,088
Total expenditures/expenses	325,559	183,088	508,647
Change in net assets	572,748	(260)	572,488
Net Assets (Deficit), beginning of year	800,474	(3,962,920)	(3,162,446)
Net Assets (Deficit), end of year	\$ 1,373,222	\$ (3,963,180)	\$(2,589,958)